CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 439)

ANNUAL
REPORT
2010

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TSE On Kin *(Chairman)*
WONG Hin Shek *(Chief Executive Officer)*

Independent Non-executive Directors

LAU Man Tak
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

TSANG Kwai Ping

AUDIT COMMITTEE

LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

REMUNERATION COMMITTEE

LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit A, 10/F
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Tel: (852) 2389 8292
Fax: (852) 2389 8291
Website: www.climaxintlco.com

REGISTRARS

Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Bermuda

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

439

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Climax International Company Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2010.

The primary goal of the Board is to formulate a proposal for resumption of the trading of the shares of the Company so as to protect the interest of the Company and its shareholders as a whole. In light of the tough economic climate and unsatisfactory financial performance of the paper products business, the Group has disposed of this segment during the year. Upon the disposal, more resources are allocated to the electronic products business. For the year ended 31 March 2010, the Group has recorded approximately HK$167 million turnover from the electronic products business. The Group will continue to broaden the customer base and enhance the products quality so as to improve the performance of the Group.

I would like to take this opportunity to deliver my most sincere gratitude to the board members and management team for their devoted commitments during the year and look forward to their continuous support in the years to come.

Tse On Kin
Chairman

Hong Kong, 13 July 2010

Management Discussion and Analysis

PERFORMANCE REVIEW

For the year ended 31 March 2010 ("2010"), the Group's turnover from electronic business was HK$167 million, increased by 4,129% as comparing with HK$4 million for the year ended 31 March 2009 ("2009"). With the significant increase in turnover in 2010, the Group recorded a gross profit of HK$2 million from electronic business (2009: gross profit of HK$32,000).

For the paper products segment, the turnover was dropped dramatically from HK$66 million for 2009 to HK$13 million for 2010, the Group recorded a gross loss of HK$0.6 million from paper products business (2009: gross loss of HK$21 million). In view of the keen competition and poor operating environment and performance of the paper products segment, the Group has disposed of this segment at the end of 2010.

Profit attributable to owners of the Company increased to HK$21 million (2009: loss attributable to owners of the Company of HK$100 million).

OUTLOOK

More resources will be allocated to the electronic products business to enlarge the customer base and improve the quality of products in achieving the aim of profitability in the electronic products business. Besides, the Board will use its best endeavour to formulate a plan for the resumption of trading of the shares of the Company so as to protect the interest of the shareholders of the Company.

CAPITAL STRUCTURE

The Group had no change in capital structure during 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the total shareholders fund of the Group amounted to approximately HK$73 million (2009: HK$52 million), total assets of approximately HK$114 million (2009: HK$113 million) and total liabilities of approximately HK$42 million (2009: HK$61 million).

The gearing ratio as of 31 March 2010, defined as the percentage of total interest bearing debt to net asset value, was 0.04% (2009: 1%).

The Group's business operation and investment are in Hong Kong and most assets, liabilities and transactions of the Group are denominated in Hong Kong dollar and United States dollar. The directors did not consider the Group was exposed to any significant foreign currency exchange risk.

INVESTMENT POSITION AND PLANNING

During 2010, the Group spent approximately HK$43,000 (2009: HK$333,000) for the acquisition of fixtures and furniture.

The Group has invested in shares of certain companies that are traded over The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 March 2010, the Group held shares with fair value of approximately HK$4 million.

On 17 March 2010, the Group disposed of its entire equity interests in Climax Investments Limited and its subsidiaries (the "Disposed Subsidiaries") and assigned all the debts due from the Disposed Subsidiaries to the purchaser at approximately HK$2.5 million which resulted in a gain on disposal of approximately HK$45 million. The Disposed Subsidiaries are engaged in the paper products business. Upon the disposal of paper products business, the resources was reallocated to electronic products business in order to further improve its performance.

Save as disclosed above, the Group did not have any significant investment and there are no material acquisition or disposal of subsidiaries and associated companies during 2010.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not pledge any assets.

As at 31 March 2010, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Group had 5 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. TSE On Kin, aged 48, has joined the Group as a non-executive director from 6 September 2007 to 1 August 2008 and was appointed as chairman and executive director on 31 March 2010. Mr. Tse has over 20 years of management experience covering corporate planning, group restructuring, business development, project injection, merger and acquisition. He also has about 20 years experience in electronic manufacturing field. Mr. Tse has a Bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and executive director of China Grand Forestry Green Resources Group Limited (stock code: 910) and Kong Sun Holdings Limited (stock code: 295), a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). Mr. Tse was also the former chairman and executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to March 2007 and New Times Energy Corporation Limited (stock code: 166) from May 2007 to April 2009, an executive director of Mexan Limited (stock code: 022) from March 2005 to July 2007 and New Times Energy Corporation Limited (stock code: 166) from May 2009 to November 2009.

Mr. WONG Hin Shek, aged 40, joined the Group on 18 June 2007 as an executive director of the Company and was appointed as the chief executive officer of the Company on 17 June 2008. Mr. Wong worked in a number of reputable investment banks and the Listing Division of the Stock Exchange and has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is also a responsible officer of a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong is currently an executive director of Golden Resorts Group Limited (stock code: 1031) and the chairman and an executive director of Hua Yi Copper Holdings Limited (stock code: 559). Mr Wong has been involved in management, business development, strategic investment and investor relations in these companies. He was an executive director of China Public Procurement Limited (stock code: 1094) from November 2007 to September 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Yun Kuen, aged 52, joined the Group on 26 June 2007 and is the member of audit committee and remuneration committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Golden Resorts Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559) and China Grand Forestry Green Resources Group Limited (stock code: 910). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

Mr. LAU Man Tak, aged 40, joined the Group on 27 March 2008 and is the chairman of audit committee and remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Golden Resorts Group Limited (stock code: 1031) and Kong Sun Holdings Limited (stock code: 295). Mr. Lau was also a former executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.

Mr. MAN Kwok Leung, aged 63, joined the Group on 13 May 2008 and is the member of audit committee and remuneration committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. Mr. Man is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Kong Sun Holdings Limited (stock code: 295) and Hua Yi Copper Holdings Limited (stock code: 559).

COMPANY SECRETARY

Ms. TSANG Kwai Ping, joined the Group on 24 November 2009. Ms. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Tsang has extensive experiences in auditing and financial management.

Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Group completed the disposal of its paper products business. As at the date of this report, the principal activities of its subsidiaries are trading of electronic products.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 93% of the Group's total purchases. The largest supplier accounted for 86% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 93% of the Group's total sales. The largest customer accounted for 51% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, has a beneficial interest in any of the Group's five largest suppliers or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 22 to 25 and 82 to 83.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 26 and other details of the reserves of the Company are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$131 million, may be distributed in the form of fully paid bonus shares.

PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during the year are set out in note 16 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 84. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in respective note 29 and 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report were:

Executive Directors:

Mr. Tse On Kin *(Chairman)* (appointed on 31 March 2010)
Mr. Wong Hin Shek *(Chief Executive Officer)*
Ms. Chan Hoi Ling (resigned on 24 November 2009)

Independent Non-executive Directors:

Mr. Lau Man Tak
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Tse On Kin will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wong Hin Shek will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 6 to 7.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2010, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

		Number of shares or underlying shares held			
Name of Director	**Capacity**	**Interest in ordinary shares held**	**Interest in underlying ordinary shares held**	**Total interest**	**Percentage of the issued share capital**
Wong Hin Shek	Beneficial owner	—	9,000,000	9,000,000	0.78%
Tse On Kin	Interest of controlled corporation	176,000,000 (Note)	—	176,000,000	15.32%

Note: The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.

Save as disclosed above, as at 31 March 2010, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2010, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of shares or underlying shares held			
Name of shareholders	**Capacity**	**Interest in ordinary shares held**	**Interest in underlying ordinary shares held**	**Total interest**	**Percentage of the issued share capital**
Good Power International Limited	Beneficial owner	176,000,000	—	176,000,000	15.32%
Tse On Kin	Interest of controlled corporation	176,000,000 (Note)	—	176,000,000	15.32%

Note: The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.

Save as disclosed above, as at 31 March 2010, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") effective on 1 September 2001. During the year ended 31 March 2010, no option was granted under the Scheme.

Details of the movements in the options under the Scheme during the year were as follows:

Category Name of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Original exercise price per share HK$	Number of share options Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2010	Weighted average closing price (Note 3) HK$
Directors									
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	9,000,000	–	–	–	9,000,000	N/A
Employees and others									
In aggregate	30.4.2007	30.4.2007 to 29.4.2010 (Note 4)	0.2084	6,180,000	–	–	(6,180,000)	–	N/A
	17.6.2008	17.6.2008 to 16.6.2011	0.1740	26,999,994	–	–	–	26,999,994	N/A
				33,179,994	–	–	(6,180,000)	26,999,994	
Total				42,179,994	–	–	(6,180,000)	35,999,994	
Weighted average exercise price				0.1790	N/A	N/A	0.2084	0.1740	

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

(4) The grantee of the share options is no longer the employee of the Group after the completion of disposal of CIL Group on 17 March 2010. Those share options lapsed on the date of cessation of the employment with the Group.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 March 2010.

AUDITORS

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tse On Kin
Chairman

Hong Kong, 13 July 2010

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 March 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review, save for the deviation from code provision A.2.1 which is explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Due to the resignation of Ms. Chan Hoi Ling, the ex-chairman, on 24 November 2009, the Company has deviated from this requirement. The Company has appointed Mr. Tse On Kin as the chairman on 31 March 2010.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic, decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises two executive directors, and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors	Mr. Tse On Kin *(Chairman)* (appointed on 31 March 2010)
	Mr. Wong Hin Shek *(Chief Executive Officer)*
	Ms. Chan Hoi Ling (resigned on 24 November 2009)
Independent Non-executive Directors	Mr. Lau Man Tak
	Mr. Man Kwok Leung
	Dr. Wong Yun Kuen

Biographical details of the directors of the Company as at the date of this report are set out in the "Biographical Details of Directors and Senior Management" section on pages 6 to 7.

On 31 March 2010, Mr. Tse On Kin had been appointed as an executive director and chairman of the Company. The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of the responsibilities.

Board Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 9 times during the year ended 31 March 2010.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Corporate Governance Report

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors. The attendance of individual members of the Board meetings during the year ended 31 March 2010 is set out in the table below:

	Number of Board meetings attended/ eligible to attend
Executive directors	
Mr. Tse On Kin *(Chairman)* (appointed on 31 March 2010)	0/0
Mr. Wong Hin Shek *(Chief Executive Officer)*	9/9
Ms. Chan Hoi Ling (resigned on 24 November 2009)	9/9
Independent non-executive directors	
Mr. Lau Man Tak	1/9
Mr. Man Kwok Leung	8/9
Dr. Wong Yun Kuen	7/9

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Company has specified the terms of appointments for non-executive directors. The terms of appointments of Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen as independent non-executive directors were re-determined on 1 January 2010. None of the independent non-executive directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. Moreover, they are also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

BOARD COMMITTEES

The Board has established two committees, namely the remuneration committee and audit committee. Each of which has specific written terms of reference.

Remuneration Committee

The remuneration committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Audit Committee

The audit committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditors before submission to the Board.

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year, 2 committee meetings were held and the attendance of each member is set out as follows:

	Number of committee meetings attended/ eligible to attend
Committee members	
Mr. Lau Man Tak *(Chairman)*	2/2
Mr. Man Kwok Leung	2/2
Dr. Wong Yun Kuen	2/2

During the year, the audit committee discussed and reviewed the financial reporting matters including the interim and annual financial statements before submission to the Board, reviewed the management letter points from the external auditors in relation to the audit of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 March 2010, directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis. The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditor's Report on pages 20 to 21.

EXTERNAL AUDITORS' REMUNERATION AND REPORTING RESPONSIBILITIES

During the year, the remuneration in respect of the services rendered by the Group's external auditors is set out as follows:

Services rendered for the Group	**SHINEWING (HK) CPA Limited** *HK$'000*
Audit services — annual audit	450
Other audit services	650
Non-audit services (including taxation services, professional services rendered in relation to agreed upon procedures)	170
Total	1,270

INTERNAL CONTROLS

The Board is committed to implement a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets.

For the year, the Board has appointed LK Risk Services Limited to conduct a review of the effectiveness of the system of internal control of the Company and its subsidiaries (the "Review"). The Review is in progress.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given and at which the chairman and directors are available to answer questions on the Group's business.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any suggestions and recommendations from our shareholders are also welcome and will take into account in the ongoing enhancement of our transparency.

On behalf of the Board

Tse On Kin
Chairman

Hong Kong, 13 July 2010

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CLIMAX INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Climax International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 83, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

We were unable to obtain sufficient appropriate audit evidence in respect of the financial information of one of the Group's subsidiaries, Climax Paper Products Manufacturing (Dongguan) Co., Ltd. ("CPD"), when we conducted the audit of the consolidated financial information of the Group as at 31 March 2009 and for the year then ended, and a disclaimer opinion on such financial statements was issued on 31 July 2009. As a result, the opening balances and related disclosures of the consolidated financial statements of the Group as at 1 April 2009 might have been significantly different had we been able to obtain such evidence.

As explained in note 1.2 to the consolidated financial statements, management was still unable to make available to us the complete and accurate financial information of CPD as a result of the lost of the accounting books and records of CPD during relocation of factory due to cessation of business in the year ended 31 March 2009 and such books and records were not able to be recovered. In addition, during the year ended 31 March 2010, Climax Investments Limited ("CIL"), the indirect controlling shareholder of CPD, was sold to Good Billion Holdings Limited, a connected person and a related party of the Company. The disposal was completed in March 2010. Certain accounting books and records of CIL and its subsidiaries (which included CPD and collectively referred to as the "CIL Group") were lost during relocation of office of the CIL Group in October 2009 and not be able to be recovered due to the high turnover rate of accounting personnel as a result of lack of financial resources of the CIL Group. Furthermore, as a result of the lost of accounting books and records and the high turnover rate of accounting personnel of the CIL Group, the directors of the Company were unable to provide us with complete information of the status of the lawsuits and claims of the CIL Group during the year and upon the completion of its disposal.

Against this background, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operation of HK$33,358,000 as recorded in the Group's consolidated statement of comprehensive income for the year ended 31 March 2010, which included loss for the year of the CIL Group attributed to the Group of HK$11,470,000 and the gain on disposal of the CIL Group of HK$44,828,000, and the related disclosures included in notes 11 and 31 respectively to the consolidated financial statements. In addition, we were unable to obtain sufficient reliable evidence to satisfy ourselves as to the existence, accuracy and completeness of the adjustment and/or disclosures in relation to the contingent liabilities, commitment and pledge of assets of the CIL Group arising from the lawsuits and claims against it during the year and upon its disposal. Consequently we were not able to determine whether any adjustments to the amounts and related disclosures might have been necessary had we been able to obtain such financial information.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the abovementioned matters. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to these figures may have a consequential significant effect on the opening balances of the consolidated financial statements of the Group as at 1 April 2009 and the profit of the Group for the year ended 31 March 2010.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY LIMITATION OF SCOPE

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other aspects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
13 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTES	2010 *HK$'000*	2009 *HK$'000* (Re-presented)
Continuing operation			
Revenue	7	**166,927**	3,947
Cost of sales		**(165,238)**	(3,915)
Gross profit		**1,689**	32
Other income	8	**917**	1,257
Selling and distribution expenses		**—**	(32)
Administrative expenses		**(10,696)**	(11,698)
Gain on redemption of financial assets at fair value through profit or loss		**—**	187
Gain on changes in fair value of financial assets at fair value through profit or loss		**—**	131
Gain/(loss) on changes in fair value of held for trading investments		**432**	(4,526)
Loss on disposal of held for trading investments		**(4,227)**	(1,540)
Finance costs	9	**(1)**	(38)
Loss before tax		**(11,886)**	(16,227)
Income tax expense	10	**—**	—
Loss for the year from continuing operation		**(11,886)**	(16,227)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	11	**33,358**	(83,395)
Profit/(loss) for the year	12	**21,472**	(99,622)
Other comprehensive expenses			
Exchange differences arising on translation		**—**	(13)
Release of exchange differences upon disposal of subsidiaries		**(1,096)**	—
Other comprehensive expenses for the year		**(1,096)**	(13)
Total comprehensive income/(expenses) for the year		**20,376**	(99,635)
Profit/(loss) for the year attributable to:			
— Owners of the Company		**21,473**	(99,622)
— Minority interests		**(1)**	—
		21,472	(99,622)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTE	**2010** *HK$'000*	2009 *HK$'000* (Re-presented)
Total comprehensive income/(expenses) attributable to:			
— Owners of the Company		**20,377**	(99,635)
— Minority interests		**(1)**	–
		20,376	(99,635)
Basic and diluted earnings/(loss) per share *(in Hong Kong cents)*	15		
— From continuing operation		**(1.03)**	(1.47)
— From discontinued operation		**2.90**	(7.54)
		1.87	(9.01)

Consolidated Statement of Financial Position

As as 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment	16	**303**	4,113
Prepayments	17	**—**	10,217
Available-for-sale investments	18	**—**	—
		303	14,330
Current assets			
Inventories	19	**—**	200
Trade receivables	20	**39,494**	7,224
Deposits, prepayments and other receivables	21	**431**	8,861
Held for trading investments	22	**4,482**	9,820
Amounts due from related companies	23	**—**	63
Deposits in other financial institution	24	**63**	69,803
Bank balances and cash	25	**69,722**	2,737
		114,192	98,708
Current liabilities			
Trade and other payables	26	**41,800**	57,844
Income tax payables		**—**	2,330
Obligations under finance leases — amount due within one year	27	**5**	492
Bank overdrafts	28	**—**	82
		41,805	60,748
Net current assets		**72,387**	37,960
Total assets less current liabilities		**72,690**	52,290

Consolidated Statement of Financial Position

As as 31 March 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Non-current liability			
Obligations under finance leases			
— amount due after one year	27	**24**	–
		72,666	52,290
Capital and reserves			
Share capital	29	**11,486**	11,486
Reserves		**61,180**	40,803
Total equity attributable to owners of the Company		**72,666**	52,289
Minority interests		**—**	1
Total equity		**72,666**	52,290

The consolidated financial statements on pages 22 to 83 were approved and authorised for issue by the board of directors on 13 July 2010 and are signed on its behalf by:

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Share options reserve	Capital reserve	Contributed surplus	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Note a)	(Note b)				
At 1 April 2008	9,576	103,555	1,109	2,067	17,900	103,941	(118,044)	120,104	1	120,105
Loss for the year	–	–	–	–	–	–	(99,622)	(99,622)	–	(99,622)
Other comprehensive expense for the year	–	–	(13)	–	–	–	–	(13)	–	(13)
Total comprehensive expense for the year	–	–	(13)	–	–	–	(99,622)	(99,635)	–	(99,635)
Cancellation of share options	–	–	–	(1,392)	–	–	1,392	–	–	–
Issue of new shares upon placing	1,910	28,459	–	–	–	–	–	30,369	–	30,369
Transaction costs attributable to issue of new shares upon placing	–	(809)	–	–	–	–	–	(809)	–	(809)
Recognition of equity-settled share based payment	–	–	–	2,260	–	–	–	2,260	–	2,260
At 31 March 2009 and 1 April 2009	11,486	131,205	1,096	2,935	17,900	103,941	(216,274)	52,289	1	52,290
Profit for the year	–	–	–	–	–	–	21,473	21,473	(1)	21,472
Other comprehensive expense for the year	–	–	(1,096)	–	–	–	–	(1,096)	–	(1,096)
Total comprehensive (expense) / income for the year	–	–	(1,096)	–	–	–	21,473	20,377	(1)	20,376
Cancellation of share options	–	–	–	(675)	–	–	675	–	–	–
At 31 March 2010	11,486	131,205	–	2,260	17,900	103,941	(194,126)	72,666	–	72,666

Notes:

(a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.

(b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	NOTE	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Loss before tax from continuing operation		**(11,886)**	(16,227)
Profit/(loss) before tax from discontinued operation		**33,282**	(83,319)
		21,396	(99,546)
Adjustments for:			
Release of non-current prepayments		**524**	1,941
Depreciation of plant and equipment		**243**	4,757
Gain on changes in fair value of financial assets at fair value through profit or loss		**–**	(131)
(Gain)/loss on changes in fair value of held for trading investments		**(432)**	4,526
Impairment loss recognised in respect of plant and equipment		**–**	10,408
Loss on written off of plant and equipment		**3,610**	3,813
Impairment loss recognised in respect of deposits, prepayments and other receivables		**454**	18,985
Impairment loss recognised in respect of amount due from a related company		**320**	–
Deposits forfeited for early termination of a rental agreement		**691**	1,600
Interest income		**(181)**	(1,161)
Dividend income		**(148)**	(134)
Finance costs		**15**	358
Gain on disposal of plant and equipment		**–**	(1,365)
Loss on disposal of held for trading investments		**4,227**	1,540
Gain on redemption of financial assets at fair value through profit or loss		**–**	(187)
Loss on non-current prepayments upon sales of right of use and management of premises		**–**	5,255
Allowance for inventories included in cost of sales		**200**	9,660
Equity settled share-based payment		**–**	2,260
Impairment loss recognised in respect of trade receivables		**–**	2,303
Written off of other payables		**(588)**	–
Gain on disposal of subsidiaries	31	**(44,828)**	–
Operating cash flows before movements in working capital		**(14,497)**	(35,118)
Decrease in inventories		**–**	5,300
Increase in trade receivables		**(34,767)**	(761)
Decrease/(increase) in deposits, prepayments and other receivables		**1,050**	(5,843)
Increase in trade and other payables		**41,411**	12,248
Cash used in operations		**(6,803)**	(24,174)
Income tax paid		**(118)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(6,921)**	(24,174)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	NOTE	**2010** **HK$'000**	2009 HK$'000
INVESTING ACTIVITIES			
Purchase of held for trading investments		**—**	(56,961)
Decrease/(increase) in deposits in other financial institution		**69,740**	(16,106)
Purchase of plant and equipment		**(13)**	(333)
Repayment from/(advance to) related companies		**63**	(63)
Proceeds from disposal of held for trading investments		**1,543**	41,075
Net cash inflow on disposal of subsidiaries	31	**2,342**	—
Proceeds from redemption of financial assets at fair value through profit or loss		**—**	12,675
Proceeds from disposal of plant and equipment		**—**	11,334
Proceeds from sales of right of use and management of premises		**—**	7,850
Interest received		**181**	1,161
Dividend received		**148**	134
NET CASH FROM INVESTING ACTIVITIES		**74,004**	766
FINANCING ACTIVITIES			
Issue of new shares upon placing		**—**	30,369
Principal repayment for obligations under finance leases		**(1)**	(2,253)
Net cash used in repayment of trust receipt, import loans and export loans		**—**	(1,975)
Transaction costs attributable to issue of new shares		**—**	(809)
Interest paid		**(15)**	(358)
Repayment to directors		**—**	(161)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(16)**	24,813
NET INCREASE IN CASH AND CASH EQUIVALENTS		**67,067**	1,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,655**	1,303
Effect on foreign exchange rate changes		**—**	(53)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**69,722**	2,655
Analysis of cash and cash equivalents:			
Bank balances and cash		**69,722**	2,737
Bank overdrafts		**—**	(82)
		69,722	2,655

1. GENERAL AND BASIS OF PREPARATION

1.1 General

Climax International Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. Its subsidiaries principally engaged in trading of electronic products and design, development, production and marketing of paper products, including photo albums, gift items and stationery. At the end of the reporting period, the Group only engaged in trading of electronic products upon the disposal of certain subsidiaries.

The functional currency and presentation currency of the Company for the year ended 31 March 2009 are Hong Kong dollars ("HK$") as significant portion of the business were derived from HK$. Upon the completion of disposal of the CIL Group on 17 March 2010, the functional currency of the remaining business are United States dollars ("USD"). Therefore the functional currency of the Company is changed to USD for the year ended 31 March 2010. The presentation currency is different from functional currency as the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

1.2 Basis of preparation

Climax Paper Products Manufacturing (Dongguan) Co., Ltd. ("CPD") was a subsidiary of the Company in the People's Republic of China (the "PRC"). The accounting books and records of CPD were lost during relocation of factory due to cessation of business and not be able to be recovered for the year ended 31 March 2009.

Climax Investments Limited ("CIL") and its subsidiaries (included CPD hereinafter collectively referred to as the "CIL Group") were the subsidiaries of the Group which carried out paper products business of the Group. Certain accounting books and records of the CIL Group were lost during relocation of office of the CIL Group in October 2009 and not be able to be recovered due to the high turnover rate of accounting personnel as a result of lack of adequate financial resources of the CIL Group.

In light of the tough economic climate and the unsatisfactory financial performance of the CIL Group, in particular, the sustained net loss position of the CIL Group for the past three financial years, as well as the net liability position of the CIL Group as at 31 March 2009, the Group had decided to dispose of the CIL Group. The disposal was completed on 17 March 2010 (see note 11).

1. GENERAL AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (Continued)

During the year and at the completion date of the disposal of the CIL Group, there were a number of lawsuits and claims against the CIL Group. As a result of the lost of accounting books and records and due to the high turnover rate of accounting personnel of the CIL Group, the directors of the Company were unable to provide complete information of the lawsuits and claims of the CIL Group during the year and upon the completion of its disposal.

In the opinion the directors of the Company, the Company and its remaining subsidiaries as at 31 March 2010 (the "Remaining Subsidiaries") have not guaranteed the obligation of the relevant defendants within the CIL Group (except for a legal action taken by the lessor of finance lease of plant and equipment, Orix Asia Limited which has been settled in October 2009). After taking into account of the legal opinion from the legal adviser, in the opinion of the directors of the Company, upon completion the disposal of the CIL Group, the judgments (if any) in the actions against the relevant companies under the CIL Group will not give rise to or result in any liability of the Company and/or the Remaining Subsidiaries.

Nevertheless, the financial information of the CIL Group included in both 2009 and 2010 consolidated financial statements has been prepared by the management applying their best estimates and judgment based on the remaining information of the CIL Group. The profit/loss for the years ended 31 March 2010 and 2009 from the discontinued operation included in the consolidated financial statements was prepared on this basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) — Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) — Int 13	Customer Loyalty Programmes
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments nor changes in basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs affecting presentation and disclosure only (Continued)

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[4] Effective for annual periods beginning on or after 1 January 2010.

[5] Effective for annual periods beginning on or after 1 February 2010.

[6] Effective for annual periods beginning on or after 1 July 2010.

[7] Effective for annual periods beginning on or after 1 January 2011.

[8] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the"Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amounts due from related companies, deposits in other financial institution, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale investments are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, obligations under finance leases and bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extend that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of receivables

Allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

In making the judgment, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether provision for impairment is required, the Group takes into consideration the aging status, and likelihood of collection. Specific provision is only made for trade receivables that are unlikely to be collected. As at 31 March 2010, the carrying amount of trade receivables is approximately HK$39,494,000 (no allowance for doubtful debts was provided) (31 March 2009: carrying amount of approximately HK$7,224,000, net of allowance for doubtful debts of approximately HK$7,037,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The directors of the Company consider the Group's capital consists of equity, which includes issued share capital and reserves, borrowings and bank balances and cash and will conduct review to balance its overall capital structure periodically.

In order to maintain or adjust the capital structure, the Group may issue new shares or/and share options. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The directors of the Company also endeavor to ensure the steady and reliable cash flow from the normal business operation.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
— held for trading investments	**4,482**	9,820
Loans and receivables (including cash and cash equivalents)	**109,386**	84,990
Financial liabilities		
Other financial liabilities stated at amortised cost	**41,829**	51,444

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, held for trading investments, amounts due from related companies, deposits in other financial institution, bank balances and cash, trade and other payables, obligations under finance leases and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group has concentration risk as 99% (2009: 52%) of the total trade receivables was due from one of the Group's major customers. The Group limits its exposure to credit risk by prudently selecting customers. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit-ratings.

The Group's concentration of credit risk by geographical locations is mainly in Europe, which accounted for 100% (31 March 2009: 62%) of the total trade receivables as at 31 March 2010.

Currency risk

At 31 March 2010, majority bank balances and cash, held for trading investments and other payables (2009: certain trade receivables and trade payables) of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2010, the carrying amounts of the Group's foreign currency denominated financial assets and liabilities at the respective closing rates, are as follows:

	2010			2009		
	Financial assets *HK$'000*	**Financial liabilities** *HK$'000*	**Net exposure** *HK$'000*	Financial assets *HK$'000*	Financial liabilities *HK$'000*	Net exposure *HK$'000*
HK$	**74,374**	**3,384**	**70,990**	–	–	–
USD	**–**	**–**	**–**	9,109	6,437	2,672
Renminbi ("RMB")	**–**	**–**	**–**	1,497	25,369	(23,872)

At 31 March 2010, the Group is mainly exposed to HK$ (2009: USD and RMB).

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity analysis to a 1% (2009: 10%) increase or decrease in USD (2009: HK$) against the relevant foreign currencies. 1% (2009: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As the exchange rate between the USD and HK$ is stable, the management adjusted the sensitivity rate from 10% to 1% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% (2009: 10%) change in foreign currency rates. A negative number below indicates a decrease in profit/an increase in loss after taxation where USD (2009: HK$) strengthens 1% (2009: 10%) against the relevant currencies. For a 1% (2009: 10%) weakening of USD (2009: HK$) against the relevant currencies, there would be an equal and opposite impact on the profit/loss after tax and accumulated losses, and the balances below would be positive.

Effect on profit / (loss) after tax:

	2010	2009
	HK$'000	*HK$'000*
HK$	**(710)**	–
USD	**–**	(267)
RMB	**–**	2,387
	(710)	2,120

Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank overdrafts (see note 28 for details of the bank overdrafts), variable-rate deposits in other financial institution and bank balances.

The Group's interest rate risk is mainly concentrated on the fluctuation of market interest rate arising from the Group's deposits in other financial institution and bank balances.

The Group currently does not have any interest rate risk hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant risk exposure should the need arise.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank overdrafts, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year and the assumed change in interest rate exists throughout the year. A 100 basis point increase or decrease in market rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 March 2009.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2010 would increase or decrease by approximately HK$697,000 (2009: decrease or increase the loss after tax by approximately HK$724,000).

Price risk

The Group's held for trading investments comprise listed equity securities in Hong Kong. These listed equity securities are subject to market price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. Details of the held for trading investments are set out in note 22.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2009: 10%) higher/lower, profit for the year ended 31 March 2010 should increase/decrease by approximately HK$448,000 (2009: loss for the year decrease/increase by HK$982,000) as a result of the change in fair value of held for trading investments.

Liquidity risk

Internally generated cash flow and bank loans are the general sources of funds to finance the operations of the Group. Majority of the Group's banking lines are subject to variable interests rate and are renewable annually. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year	More than 1 year but less than 2 years	After 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount at 31 March
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2010					
Non-derivative financial liabilities					
Trade and other payables	41,800	–	–	41,800	41,800
Obligations under finance leases	7	7	20	34	29
	41,807	7	20	41,834	41,829
At 31 March 2009					
Non-derivative financial liabilities					
Trade and other payables	50,870	–	–	50,870	50,870
Obligations under finance leases	497	–	–	497	492
Bank overdrafts	88	–	–	88	82
	51,455	–	–	51,455	51,444

6. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices, and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities reported in the consolidated statement of financial position approximate their fair values due to their immediate or short term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

Fair value measurements of Level 1 are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

	HK$'000
As at 31 March 2010	
Financial assets	
Held for trading investments — listed equity securities	4,482
As at 31 March 2009	
Financial assets	
Held for trading investments — listed equity securities	9,820

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 which are based on the nature of business are as follows:

Electronic products	—	trading of electronic products
Paper products	—	design, development, production and marketing of paper products

Paper products segment was discontinued with effect from 17 March 2010. Its revenue and results are stated in note 11.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment from continuing operation:

	Electronic products	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
External sales	**166,927**	3,947
Segment profit	**1,511**	17
Unallocated corporate items		
Unallocated corporate income	**736**	134
Unallocated corporate expenses	**(10,518)**	(11,715)
Interest income	**181**	1,123
Gain on redemption of financial assets at fair value through profit or loss	**—**	187
Gain on changes in fair value of financial assets at fair value through profit or loss	**—**	131
Gain/(loss) on changes in fair value of held for trading investments	**432**	(4,526)
Loss on disposal of held for trading investments	**(4,227)**	(1,540)
Finance costs	**(1)**	(38)
Loss before tax (continuing operation)	**(11,886)**	(16,227)

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment profit represents the profit attributable to the segment without allocation of central administration costs, directors' emoluments, interest income, finance costs, gain on redemption of financial assets at fair value through profit or loss, gain on changes in fair value of financial assets at fair value through profit or loss, gain/(loss) on changes in fair value of held for trading investments and loss on disposal of held for trading investments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2010	2009
	HK$'000	*HK$'000*
Segment assets		
Continuing operation:		
Electronic products	**39,494**	3,947
Assets relating to discontinued operation	**—**	22,418
Unallocated corporate assets	**75,001**	86,673
Consolidated assets	**114,495**	113,038
Segment liabilities		
Continuing operation:		
Electronic products	**38,623**	3,915
Liabilities relating to discontinued operation	**—**	48,852
Unallocated corporate liabilities	**3,206**	7,981
Consolidated liabilities	**41,829**	60,748

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investments, held for trading investments, amounts due from related companies, deposits in other financial institution, bank balances and cash, and other corporate assets; and

- all liabilities are allocated to reportable segments other than income tax payables, obligations under finance leases, bank overdrafts and other corporate liabilities.

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Continuing operation Electronic products		Discontinued operation Paper products		Unallocated		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	**–**	–	**–**	–	**43**	333	**43**	333
Depreciation of plant and equipment	**–**	–	**–**	4,417	**243**	340	**243**	4,757
Impairment loss recognised in respect of trade receivables	**–**	–	**–**	2,303	**–**	–	**–**	2,303
Impairment loss recognised in respect of deposits, prepayments and other receivables	**–**	–	**–**	18,985	**454**	–	**454**	18,985
Impairment loss recognised in respect of plant and equipment	**–**	–	**–**	10,408	**–**	–	**–**	10,408
Allowance for inventories	**–**	–	**200**	9,660	**–**	–	**200**	9,660
Loss on written off of plant and equipment	**–**	–	**2,659**	3,813	**951**	–	**3,610**	3,813
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:								
Interest income	**181**	1,123	**–**	38	**–**	–	**181**	1,161
Finance costs	**1**	38	**14**	320	**–**	–	**15**	358
Income tax (credit)/ expense	**–**	–	**(76)**	76	**–**	–	**(76)**	76

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

The Group's operations are located in Hong Kong and the PRC. The Group's PRC operations have ceased upon the disposal of certain subsidiaries on 17 March 2010.

The Group's revenue from continuing operation from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Europe	**135,900**	3,947	**—**	—
Australia	**31,027**	—	**—**	—
Hong Kong	**—**	—	**303**	1,454
	166,927	3,947	**303**	1,454

Non-current assets excluded those relating to discontinued operation and financial instruments.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Customer A (Note a)	**N/A** (Note c)	15,192
Customer B (Note b)	**92,064**	N/A (Note c)
Customer C (Note b)	**74,863**	N/A (Note c)

Notes:

(a) Revenue from paper products.

(b) Revenue from electronic products.

(c) The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year.

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Continuing operation		
Other income consisted of:		
Dividend income	**148**	134
Interest income	**181**	1,123
Written off of other payables	**588**	–
	917	1,257

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operation		
Interest on:		
— bank borrowings wholly repayable within five years	**–**	38
— obligations under finance leases	**1**	–
	1	38

10. INCOME TAX EXPENSE

Continuing operation

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

No provision for tax in other jurisdictions has been made as the Group did not have any assessable profits in the respective jurisdictions for both years.

10. INCOME TAX EXPENSE (CONTINUED)

Continuing operation (Continued)

The income tax expense can be reconciled to the loss before tax per consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before tax (from continuing operation)	**(11,886)**	(16,227)
Tax at Hong Kong Profits Tax rate at 16.5% (2009: 16.5%)	**(1,961)**	(2,677)
Tax effect of expenses not deductible for tax purpose	**196**	2,059
Tax effect of income not taxable for tax purpose	**(42)**	(898)
Tax effect of tax losses and other deductible temporary differences not recognised	**1,807**	1,516
	–	–

Details of deferred taxation are set out in note 32.

11. DISCONTINUED OPERATION

On 8 October 2009, the Group entered into a sale agreement with Good Billion Holdings Limited ("Good Billion"), a company wholly owned by Mr. Tse On Kin, who is a substantial shareholder of the Group, to dispose of its subsidiaries, the CIL Group, which carried out the Group's paper products business.

The disposal was effected in order to generate cash flows for the expansion of the Group's electronic products business. The disposal was completed on 17 March 2010, on which date control of the CIL Group passed to the acquirer.

The profit/(loss) for the year from discontinued operation is analysed as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
	HK$'000	*HK$'000*
Loss of paper products operation attributable to the Group	**(11,470)**	(83,395)
Gain on disposal of subsidiaries (Note 31)	**44,828**	–
	33,358	(83,395)

11. DISCONTINUED OPERATION (CONTINUED)

The results of the paper products operation for the period from 1 April 2009 to 17 March 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 17 March 2010 *HK$'000*	Year ended 31 March 2009 *HK$'000*
Revenue	**12,768**	66,169
Cost of sales	**(13,339)**	(87,536)
Gross loss	**(571)**	(21,367)
Other income	**1,347**	5,853
Selling and distribution expenses	**(811)**	(4,267)
Administrative expenses	**(11,497)**	(33,825)
Impairment loss recognised in respect of plant and equipment	**—**	(10,408)
Impairment loss recognised in respect of deposits, prepayments and other receivables	**—**	(18,985)
Finance costs	**(14)**	(320)
Loss before tax	**(11,546)**	(83,319)
Income tax credit/(expense)	**76**	(76)
Loss for the period/year	**(11,470)**	(83,395)

Profit/(loss) for the period/year from discontinued operation has been arrived at after charging/(crediting):

	Period ended 17 March 2010 *HK$'000*	Year ended 31 March 2009 *HK$'000*
Auditor's remuneration	**—**	652
Allowance for inventories	**200**	9,660
Impairment loss recognised in respect of trade receivables	**—**	2,303
Release of non-current prepayments (Note 17)	**524**	1,941
Loss on written off of plant and equipment	**2,659**	3,813
Depreciation and amortisation	**—**	4,417
Staff costs	**5,815**	26,384
Loss on non-current prepayments upon sales of right of use and management premises	**—**	5,255
Deposits forfeited for early termination of a rental agreement	**—**	1,600
Interest income	**—**	(38)
Gain on disposal of plant and equipment	**—**	(1,365)
Rental income, net of outgoings included in administrative expenses of HK$524,000 (2009: HK$1,941,000)	**(666)**	(1,063)

11. DISCONTINUED OPERATION (CONTINUED)

Cash flows from discontinued operation:

	Period ended 17 March 2010 HK$'000	Year ended 31 March 2009 HK$'000
Net cash outflows from operating activities	**(850)**	(20,719)
Net cash inflows from investing activities	**1,247**	26,396
Net cash outflows from financing activities	**(289)**	(4,790)
Net cash inflows	**108**	887

The carrying amounts of the assets and liabilities of the CIL Group at the date of disposal were disclosed in note 31.

12. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	2010 HK$'000	2009 HK$'000
Continuing operation		
Directors' emoluments (Note 13)	**219**	1,001
Other staff costs	**404**	10
Share-based payment	**—**	1,695
Retirement benefit scheme contributions for staff	**17**	—
Total staff costs	**640**	2,706
Auditor's remuneration	**450**	350
Loss on written off of plant and equipment	**951**	—
Impairment loss recognised in respect of amount due from a related company	**320**	—
Impairment loss recognised in respect of deposits, prepayments and other receivables	**454**	—
Deposits forfeited for early termination of a rental agreement	**691**	—
Depreciation on		
— own assets	**242**	340
— assets held under finance leases	**1**	—
Lease payment in respect of rented premises	**2,385**	3,524

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to each of the 6 (2009: 7) directors were as follows:

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonuses *HK$'000*	Contributions to retirement benefit scheme *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Year ended 31 March 2010						
Executive directors:						
Tse On Kin (Note a)	–	–	–	–	–	–
Wong Hin Shek	–	–	–	–	–	–
Chan Hoi Ling (Note b)	39	–	–	–	–	39
	39	–	–	–	–	39
Independent non-executive directors:						
Lau Man Tak	60	–	–	–	–	60
Man Kwok Leung	60	–	–	–	–	60
Wong Yun Kuen	60	–	–	–	–	60
	180	–	–	–	–	180
	219	–	–	–	–	219

Notes:

(a) Appointed on 31 March 2010.

(b) Resigned on 24 November 2009.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) Directors' emoluments (Continued)

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonuses *HK$'000*	Contributions to retirement benefit scheme *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Year ended 31 March 2009						
Executive directors:						
Chan Hoi Ling	60	–	–	–	–	60
Wong Hin Shek	–	–	–	–	565	565
	60	–	–	–	565	625
Non-executive directors:						
Tse On Kin (Note a)	80	–	103	–	–	183
Tse On Po, Vincent (Note a)	20	–	–	–	–	20
	100	–	103	–	–	203
Independent non-executive directors:						
Lau Man Tak	60	–	–	–	–	60
Man Kwok Leung (Note b)	53	–	–	–	–	53
Wong Yun Kuen	60	–	–	–	–	60
	173	–	–	–	–	173
	333	–	103	–	565	1,001

Notes:

(a) Resigned on 1 August 2008.

(b) Appointed on 13 May 2008.

No director has waived any emoluments during the two years ended 31 March 2010 and 2009.

The discretionary bonuses of directors for the year ended 31 March 2009 is determined by the remuneration committee and having regarded to the performance of individuals and market trends.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(ii) Employees' emoluments

No director was included in the five highest paid individuals of the Group for the two years ended 31 March 2010 and 2009. The emoluments of the five highest paid employees are as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**2,527**	3,839
Discretionary bonuses	**—**	560
Contributions to retirement benefits scheme	**24**	54
	2,551	4,453

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2010	2009
Nil to HK$500,000	**2**	–
HK$500,001 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	3
	5	5

No emoluments have been paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2010 and 2009.

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

15. EARNINGS/(LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings/loss per share attributable to the owners of the Company is based on the profit for the year attributable to the owners of the Company of HK$21,473,000 (2009: loss of HK$99,622,000) and the following data:

	2010	2009
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted earnings/loss per share	**1,148,661,140**	1,105,228,260

From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the following data:

Earnings/(loss) figures are calculated as follows:

	2010 *HK$'000*	2009 *HK$'000*
Profit/(loss) for the year attributable to the owners of the Company	**21,473**	(99,622)
Less:		
Profit/(loss) for the year from discontinued operation	**33,358**	(83,395)
Loss for the purpose of basic and diluted loss per share from continuing operation	**(11,885)**	(16,227)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK2.90 cents per share (2009: basic and diluted loss of HK7.54 cents per share), based on the profit for the year from the discontinued operation of HK$33,358,000 (2009: loss of HK$83,395,000) and the denominators detailed above for both basic and diluted earnings/loss per share.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during two years ended 31 March 2010 and 2009 before the suspension of trading in shares on the Stock Exchange in September 2008.

16. PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Machinery and equipment *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
COST					
At 1 April 2008	11,273	99,936	2,171	7,574	120,954
Currency realignment	52	117	10	8	187
Additions	333	–	–	–	333
Disposals	(103)	(37,399)	(682)	(46)	(38,230)
Written off	(4,237)	(5,911)	(231)	(760)	(11,139)
At 31 March 2009 and 1 April 2009	**7,318**	**56,743**	**1,268**	**6,776**	**72,105**
Additions	**43**	**–**	**–**	**–**	**43**
Written off	**(6,985)**	**(56,743)**	**(1,268)**	**(6,776)**	**(71,772)**
At 31 March 2010	**376**	**–**	**–**	**–**	**376**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2008	3,896	76,297	1,357	6,739	88,289
Currency realignment	12	103	5	5	125
Provided for the year	1,385	2,794	176	402	4,757
Impairment loss recognised during the year	1,936	7,951	176	345	10,408
Eliminated on disposals	(83)	(27,619)	(527)	(32)	(28,261)
Eliminated on written off	(1,282)	(5,226)	(130)	(688)	(7,326)
At 31 March 2009 and 1 April 2009	**5,864**	**54,300**	**1,057**	**6,771**	**67,992**
Provided for the year	**243**	**–**	**–**	**–**	**243**
Eliminated on written off	**(6,034)**	**(54,300)**	**(1,057)**	**(6,771)**	**(68,162)**
At 31 March 2010	**73**	**–**	**–**	**–**	**73**
CARRYING VALUES					
At 31 March 2010	**303**	**–**	**–**	**–**	**303**
At 31 March 2009	1,454	2,443	211	5	4,113

16. PLANT AND EQUIPMENT (CONTINUED)

The above items of plant and equipment are depreciated over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	8%–33%
Machinery and equipment	8%–14%
Motor vehicles	20%
Office equipment	10%–20%

The carrying amount of machinery and equipment in respect of assets held under finance leases was approximately HK$29,000 (2009: Nil after full impairment of approximately HK$1,480,000).

During the year ended 31 March 2009, machinery and equipment with carrying values of approximately HK$515,000 and HK$421,000 were temporarily sequestrated by 深圳市寶安區人民法院 and 廣東省東莞市第二人民法院 respectively. These litigations were related to the CIL Group which was disposed of on 17 March 2010.

During the year ended 31 March 2009, the directors conducted a review of the Group's plant and equipment and determined that a number of those assets was impaired, due to the fact that plant and equipment were idle and physically damaged. Accordingly, impairment loss of approximately HK$10,408,000 has been recognised in respect of plant and equipment. The values of idle machinery and equipment were based on market value determined by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected to the Group.

During the year ended 31 March 2010, the sequestrated machinery and equipment as mentioned above and the plant and equipment related to the paper products operation has been fully written off as no future economic benefits were expected to arise from these assets.

17. PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Amount to be utilised within one year	–	1,048
Amount to be utilised after one year	–	10,217
	–	11,265
Less: Amount to be utilised within one year included in deposits, prepayments and other receivables	–	(1,048)
	–	10,217

Prepayment represents the amounts advanced by the Group to a third party (the "Landlord") for the construction of production and related facilities (the "Baoan Factory") in Baoan, the PRC. The Baoan Factory with an aggregate construction area of 97,250 square metres is divided into an aggregate construction area of 51,771 square metres (the "First Phase") and 45,479 square metres (the "Second Phase") respectively. Pursuant to the original and supplementary agreements signed between a subsidiary of the Company and the Landlord, the Group is entitled to use the production and related facilities for a term of 30 years up to 31 December 2019 free of charge as consideration for the settlement of the advances. The amount charged to the consolidated statement of comprehensive income as consideration for the settlement for the year was approximately HK$524,000 (2009: HK$1,941,000). The remaining balance was disposed of upon the disposal of subsidiaries on 17 March 2010.

The Group relocated its production lines from the Baoan Factory to Dongguan, the PRC and in August 2006, the Group entered into an agreement with the Landlord to lease back the Baoan Factory to the Landlord in two phases for terms commencing on 1 September 2006 and 1 June 2007 respectively until 31 December 2019. For the year ended 31 March 2010, the Group recorded a gross rental income of approximately HK$1,190,000 (2009: HK$3,004,000).

During the year ended 31 March 2009, the Group entered into an agreement with the Landlord, pursuant to which the lease of the First Phase is terminated on 1 January 2009 and the Group agreed to transfer the rights of use and management of the First Phase for the period from 1 January 2009 to 31 December 2019 at the consideration of approximately RMB7,041,000 (equivalent to approximately HK$7,850,000) to the Landlord. Accordingly, the difference of approximately HK$5,255,000 between the consideration and carrying value of the First Phase was recognised as a loss in the consolidated statement of comprehensive income during the year ended 31 March 2009.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	–	9,500
Less: Impairment loss recognised	–	(9,500)
	–	–

The above investments as at 31 March 2009 represent unlisted equity investments in Vevion Hong Kong Limited ("Vevion"), a company incorporated in Hong Kong, in which the Group acquired 1,900,000 shares or 8.26% of the equity interests in 2006. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The investments were disposed of upon the disposal of subsidiaries on 17 March 2010.

19. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Finished goods	–	200

20. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**39,494**	14,261
Less: allowance for doubtful debts	–	(7,037)
	39,494	7,224

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period. The Group did not hold any collateral over these balances.

	2010	2009
	HK$'000	*HK$'000*
0–30 days	**34,099**	6,062
31–60 days	**4,961**	1,123
61–90 days	**252**	16
91–120 days	**171**	16
Over 120 days	**11**	7
	39,494	7,224

20. TRADE RECEIVABLES (CONTINUED)

The Group allows an average credit period of 90 days (2009: 30 to 120 days) to its trade customers.

Included in the Group's trade receivables balance are receivables with aggregate carrying amount of approximately HK$182,000 (2009: HK$346,000) which were past due but not impaired at the reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired:

	2010	2009
	HK$'000	*HK$'000*
0–30 days	**—**	289
31–60 days	**—**	18
61–90 days	**—**	16
91–120 days	**171**	16
Over 120 days	**11**	7
	182	346

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance for doubtful debts:

	2010	2009
	HK$'000	*HK$'000*
At 1 April	**7,037**	4,734
Impairment loss recognised	**—**	2,303
Disposal of subsidiaries	**(7,037)**	—
At 31 March	**—**	7,037

At 31 March 2009, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$7,037,000 since the management considered the prolonged outstanding balances were uncollectible. The Group did not hold any collateral over these balances. The factors considered by management in determining the allowance are described in note 4. It was assessed that the remaining portion of the receivables is expected to be recovered.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Deposits and other receivables	**561**	24,595
Less: impairment loss recognised	**(454)**	(17,116)
	107	7,479
Prepayments	**324**	3,251
Less: impairment loss recognised	**—**	(1,869)
	431	8,861

Movement in the impairment loss on deposits, prepayments and other receivables:

	2010 HK$'000	2009 HK$'000
At 1 April	**18,985**	–
Impairment loss recognised	**454**	18,985
Disposal of subsidiaries	**(18,985)**	–
At 31 March	**454**	18,985

Included in deposits and other receivables amounting approximately HK$454,000 was due from Vevion and full amount of impairment loss was recognised during the year.

At 31 March 2010, included in the impairment on deposits, prepayments and other receivables were individually impaired other receivables with an aggregate balance of approximately HK$454,000 (2009: HK$18,985,000) since the management considered the prolonged outstanding balances were uncollectible. The Group did not hold any collateral over these balances. The factors considered by management in determining the impairment are described in note 4.

22. HELD FOR TRADING INVESTMENTS

The held for trading investments comprise equity securities listed in Hong Kong and are stated at fair values which are based on the quoted market bid prices on the Stock Exchange.

23. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of related party	Maximum amount outstanding during the year ended 31 March 2010 HK$'000	Maximum amount outstanding during the year ended 31 March 2009 HK$'000	2010 HK$'000	2009 HK$'000
Climax Paper Converters, Limited ("CPCL") (Note a)	**320**	–	**320**	–
Easyfil (Hong Kong) Limited ("Easyfil") (Note b)	**24**	24	**–**	24
Always Online (Hong Kong) Company Limited ("Always") (Note b)	**39**	39	**–**	39
			320	63
Impairment loss recognised			**(320)**	–
			–	63

Notes:

(a) A substantial shareholder and director of the Company, Mr. Tse On Kin, has indirect interest in it upon disposal of CIL Group.

(b) Mr. Chan Hoi Lam, a former director of the Company, is the common director in these companies. Mr. Chan Hoi Lam resigned on 26 March 2008.

The above balances are unsecured, interest-free and repayable on demand.

Movement in the impairment loss of the amounts due from related companies:

	2010 HK$'000	2009 HK$'000
At 1 April	**–**	–
Impairment loss recognised	**320**	–
At 31 March	**320**	–

24. DEPOSITS IN OTHER FINANCIAL INSTITUTION

The amounts represented deposits placed with securities brokers for trading listed securities in Hong Kong and carried interest at prevailing market rates for both years.

25. BANK BALANCES AND CASH

Bank balances and cash comprise bank balances carrying interest at prevailing market rates.

At 31 March 2010, bank balances and cash of the Group denominated in HK$ were approximately HK$69,722,000 (2009: HK$56,000 was denominated in RMB).

26. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**38,381**	30,926
Other payables	**2,577**	4,533
Provision for litigation	**—**	671
Accruals	**842**	21,714
	41,800	57,844

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0–30 days	**33,604**	5,395
31–60 days	**4,777**	412
61–90 days	**—**	31
91–120 days	**—**	452
Over 120 days	**—**	24,636
	38,381	30,926

The average credit period on purchases of goods are 90 days (2009: 30 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its machinery and equipment under finance leases. The contracted lease term is 3 to 5 years. Interest rates are either fixed at the contract date or variable with reference to the prevailing market rates. For the year ended 31 March 2010, the average effective borrowing rate (which was also equal to contracted interest rates) are 7.68% (2009: ranged from 6.63% to 10.5%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum leases payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases				
Within one year	**7**	497	**5**	492
In more than one year but not more than two years	**7**	–	**6**	–
In more than two years but not more than five years	**20**	–	**18**	–
	34	497	**29**	492
Less: Future finance charges	**(5)**	(5)	**N/A**	N/A
Present value of lease obligations	**29**	492	**29**	492
Less: Amount due within one year shown under current liabilities			**(5)**	(492)
Amount due for settlement after one year			**24**	–

The Group's obligations under finance leases are denominated in HK$ and secured by the lessors' charge over the leased assets.

28. BANK OVERDRAFTS

At 31 March 2009, bank overdrafts carried interest at market rate of 9% per annum.

29. SHARE CAPITAL

	Notes	Number of shares	Par value per ordinary share *HK$*	Share capital *HK$'000*
Authorised:				
At 1 April 2008, 31 March 2009 and 31 March 2010		10,000,000,000	0.01	100,000
Issued and fully paid:				
At 1 April 2008		957,661,134		9,576
Issue of new shares upon placing	(a)	191,000,000	0.01	1,910
Exercise of share options	(b)	6	0.01	–
At 31 March 2009 and 31 March 2010		1,148,661,140		11,486

Notes:

(a) On 23 June 2008, 191,000,000 ordinary shares of HK$0.01 each at price of HK$0.159 each in the capital of the Company were issued pursuant to a placing and subscription agreements in relation to the placing of new shares of the Company.

(b) On 30 September 2008, the Company issued 6 ordinary shares of HK$0.01 each for cash at the exercise price of HK$0.174 each upon exercise of share options granted on 17 June 2008.

All the shares issued during the year ended 31 March 2009 rank pari passu with the existing shares in all respects.

30. SHARE OPTIONS

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the new requirements of Chapter 17 of the Listing Rules effective 1 September 2001.

During the year ended 31 March 2009, 36,000,000 options were granted under the Scheme to employees of the Group. No option was granted during the year ended 31 March 2010.

The fair value of the share options granted during the year ended 31 March 2009 at the date of grant is HK$0.062799 each, which were valued by RHL Appraisal Limited, an independent qualified professional valuers not connected to the Group.

The fair values of the share options granted during the year ended 31 March 2009 were calculated using the Trinomial Model. The inputs into model were as follows:

	17 June 2008
Weighted average share price	HK$0.171
Weighted average exercise price	HK$0.174
Expected volatility	78.86%
Expected life	3
Risk free rate	3.382%
Expected dividend yield	N/A

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of weekly annualised volatility of the underlying stock.

No expense in relation to share option granted by the Company recognised during the year ended 31 March 2010.

During the year ended 31 March 2009, the Group recognised the total expenses of approximately HK$2,260,000 in relation to share options granted by the Company.

30. SHARE OPTIONS (CONTINUED)

The details of the movements in the number of options outstanding during the year which have been granted under the Scheme are as follows:

Year ended 31 March 2010

Category/name of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share *HK$*	Number of share options: Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2010	Weighted average closing price (Note 3)
Director									
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	9,000,000	–	–	–	9,000,000	N/A
Employees and others									
In aggregate	30.4.2007	30.4.2007 to 29.4.2010 (Note 5)	0.2084	6,180,000	–	–	(6,180,000)	–	N/A
	17.6.2008	17.6.2008 to 16.6.2011	0.1740	26,999,994	–	–	–	26,999,994	N/A
				33,179,994	–	–	(6,180,000)	26,999,994	
Total				42,179,994	–	–	(6,180,000)	35,999,994	
Weighted average exercise price				0.1790	N/A	N/A	0.2084	0.1740	

30. SHARE OPTIONS (CONTINUED)

The details of the movements in the number of options outstanding during the year which have been granted under the Scheme are as follows:

Year ended 31 March 2009

Category/name of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2009	Weighted average closing price (Note 3)
Director									
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	–	9,000,000	–	–	9,000,000	N/A
Employees and others									
In aggregate	26.4.2005	26.4.2005 to 25.4.2008	0.5330	2,554,970	–	–	(2,554,970)	–	N/A
	20.9.2005	20.9.2005 to 6.10.2008 (Note 4)	0.4190	5,175,452	–	–	(5,175,452)	–	N/A
	30.4.2007	30.4.2007 to 29.4.2010	0.2084	6,180,000	–	–	–	6,180,000	N/A
	17.6.2008	17.6.2008 to 16.6.2011	0.1740	–	27,000,000	(6)	–	26,999,994	0.1503
				13,910,422	27,000,000	(6)	(7,730,422)	33,179,994	
Total				13,910,422	36,000,000	(6)	(7,730,422)	42,179,994	
Weighted average exercise price				0.364	0.1740	0.1740	0.4567	0.1790	

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

(4) The exercise period was extended from 19 September 2008 to 6 October 2008.

(5) The grantee of the share options is no longer the employee of the Group after the completion of disposal of the CIL Group on 17 March 2010. Those share options lapsed on the date of cessation of the employment with the Group.

31. DISPOSAL OF SUBSIDIARIES

As refer to in note 11, on 17 March 2010, the Group discontinued its paper products operation at the time of disposal of its subsidiaries, the CIL Group. The net liabilities of the CIL Group at the date of disposal were as follows:

	HK$'000
Prepayments	9,693
Trade receivables	2,497
Deposits, prepayments and other receivables	6,235
Bank balances and cash	158
Trade and other payables	(56,867)
Income tax payables	(2,136)
Obligations under finance leases — amount due within one year	(492)
Amount due to ultimate holding company	(364,843)
Amounts due to a fellow subsidiary	(320)
Net liabilities disposed of	(406,075)
Translation reserve realised on disposal of subsidiaries	(1,096)
Disposal of the total indebtedness owned by the CIL Group to the Company at the date of disposal	364,843
Gain on disposal	44,828
Total consideration	2,500
Satisfied by:	
Cash	2,500
Net cash inflow arising from disposal:	
Cash consideration	2,500
Bank balances and cash disposed of	(158)
	2,342

The impact of the CIL Group on the Group's results and cash flows in the current and prior periods is disclosed in note 11.

32. DEFERRED TAXATION

The followings are the major deferred tax (liabilities) and assets recognised and the movements thereon during the current and previous year:

	Accelerated tax depreciation	Estimated tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	(2,686)	2,686	–
Credit/(charge) to the consolidated statement of comprehensive income for the year	2,659	(2,659)	–
Change in tax rate	27	(27)	–
At 31 March 2009 and 31 March 2010	–	–	–

At 31 March 2010, the Group had unused tax losses and other deductible temporary difference of approximately HK$23,102,000 (2009: HK$216,856,000) and HK$134,000 (2009: HK$24,759,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely. At 31 March 2009, the Group has PRC tax loss of approximately HK$11,279,000 will be expired in 2014 which subsequently disposed on 17 March 2010.

33. COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Capital commitments		
Capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**–**	12,742
Capital expenditure in respect of acquisition of intangible assets contracted but not provided in the consolidated financial statements	**1,420**	–
Other commitments		
Expenditure in respect of construction project contracted for but not provided in the consolidated financial statements	**–**	902
	1,420	13,644

34. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**550**	6,189
In the second to fifth years inclusive	**—**	11,606
	550	17,795

Operating lease payments for rented premises represent rentals payable by the Group for its office premises (2009: office premises and factories). Leases for rented premises are negotiated for an average term from one to five years. The lease payments are fixed and no arrangements have been entered into for contingent rental.

The Group as lessor

As explained in note 17, the Group leased back the Baoan Factory, which the Group had the right of usage upto 31 December 2019, back to the Landloard. At 31 March 2009, the Group had contracted for the following future minimum lease payments receivable in respect of the Baoan Factory:

	Rented premises	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**—**	2,314
In the second to fifth years inclusive	**—**	9,256
Over five years	**—**	10,220
	—	21,790

35. RETIREMENT BENEFIT SCHEME

Hong Kong

A retirement plan has been established for all eligible employees of the Group in Hong Kong starting from 1 January 1996. Eligible employees enjoy a defined contribution scheme to which the employees and the Group contribute 5% and 5–10% of monthly salary respectively. Employees under the defined contribution scheme are entitled to 100% of the employers' contribution and the accrued interest upon retirement or leaving the Group after completing ten years of service counting from the date of joining the Group, or at a reduced scale of between 30% and 90% after completing three to nine years of service counting from the date of joining the Group. From 1 December 2000 onwards, staff in Hong Kong are required to join the new Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance.

The aggregate employers' contributions, net of forfeited contributions, amounted to:

	2010 ***HK$'000***	2009 *HK$'000*
Employers' contributions under defined contribution schemes and MPF Scheme	**158**	254
Less: Forfeited contributions utilised to offset employers' contributions to the defined contribution scheme	**–**	(172)
	158	82

At 31 March 2010, no forfeited contributions arising from employees leaving the scheme before becoming fully vested and which are available to reduce the contributions payable by the Group in the future (2009: HK$172,000).

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in PRC. All employees of the Group in PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The total contribution incurred in connection with the scheme for the year ended 31 March 2010 was approximately HK$81,000 (2009: HK$778,000). No forfeited contributions may be used by the employers to reduce the existing level of contributions.

36. RELATED PARTY TRANSACTIONS

Other than the details as disclosed elsewhere in the consolidated financial statements, during the year the Group entered into the following related party transactions:

(i) on 17 March 2010, the Company completed the disposal of the entire interest in CIL Group to Good Billion Holdings Limited, which is wholly owned by Mr. Tse On Kin, a substantial shareholder and the director of the Company. Details of the disposal are stated in notes 11 and 31 respectively.

(ii) during the year ended 31 March 2009, the Group sold goods amounting to HK$20,000 and HK$2,000 to Vevion and Always respectively, in which Mr. Chan Hoi Lam has a beneficial interest. Mr. Chan Hoi Lam was the director of Climax Marketing Company Limited which was a subsidiary of the Group prior to 17 March 2010 and it became a related company of the Group thereafter.

(iii) no rent and building management fee was paid to Vevion during the year ended 31 March 2010 (2009: HK$542,000).

(iv) the Group paid rent amounting HK$400,000 during the year ended 31 March 2010 (2009: Nil) to Kingston Property Investment Limited, of which Mr. Tse On Kin is one of the directors since 29 July 2009.

(v) consultancy fees of HK$207,000 were paid to Mr. Chan Hoi Lam during the year ended 31 March 2010 (2009: Nil).

The remuneration of key management of the Group is set out in note 13.

37. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation	Issued and fully paid share/ registered capital	Percentage of nominal value of issued share/registered capital held by the Company				Principal activities
			2010		2009		
			directly	**indirectly**	directly	indirectly	
New Able Investments Limited	British Virgin Islands	US$1	**100%**	**–**	100%	–	Investment holding
New Able Trading Limited	Hong Kong	HK$1	**100%**	**–**	100%	–	Trading of electronic products
Climax Management Company Limited (Note 3)	Hong Kong	HK$2	**–**	**–**	–	100%	Provision of management services
CPCL (Note 3)	Hong Kong	Ordinary HK$100,000 Deferred (Note 1) HK$20,000,000	**–**	**–**	–	100%	Manufacture and distribution of paper products
Climax Paper Products Manufacturing (Dongguan) Co., Ltd. (Note 3)	PRC	HK$47,630,000 (Note 2)	**–**	**–**	–	100%	Manufacture and distribution of paper products
Climax Marketing Company Limited (Note 3)	Hong Kong	HK$2	**–**	**–**	–	100%	Provision of marketing services for the Group/Outsourcing manufacturing and sales of goods.
Shiu's Investments Limited (Note 3)	British Virgin Islands	US$1	**–**	**–**	–	100%	Manufacture and distribution of paper products

37. PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(1) These deferred shares practically carry no right to dividends or to receive notice or to attend or vote at any general meeting of this subsidiary or to participate in any distraction on winding up.

(2) The subsidiary decreased its registered capital from HK$68,000,000 to HK$47,630,000 during the year ended 31 March 2009.

(3) The Company was disposed on 17 March 2010.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31 March 2010 and 2009 or at any time during both years.

38. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Non-current assets			
Plant and equipment		**233**	1,420
Investments in subsidiaries		**–**	55,122
		233	56,542
Current assets			
Amounts due from subsidiaries	(a)	**2,833**	–
Deposits, prepayments and other receivables		**270**	2,549
Bank balances		**7**	10
		3,110	2,559
Current liabilities			
Accruals and other payables		**3,176**	3,818
Amounts due to subsidiaries	(a)	**163**	98,256
		3,339	102,074
Net current liabilities		**(229)**	(99,515)
		4	(42,973)
Capital and reserves			
Share capital		**11,486**	11,486
Reserves	(b)	**(11,482)**	(54,459)
		4	(42,973)

38. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

(b) The movement of reserves of the Company is as follows:

	Share premium *HK$'000*	Share options reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2008	103,555	2,067	103,941	(99,034)	110,529
Loss for the year and total comprehensive expense for the year	–	–	–	(194,898)	(194,898)
Cancellation of share options	–	(1,392)	–	1,392	–
Issue of new shares upon placing	28,459	–	–	–	28,459
Transaction costs attributable to issue of new shares upon placing	(809)	–	–	–	(809)
Recognition of equity-settled share based payment	–	2,260	–	–	2,260
At 31 March 2009	131,205	2,935	103,941	(292,540)	(54,459)
Profit for the year and total comprehensive income for the year	–	–	–	42,977	42,977
Cancellation of share options	–	(675)	–	675	–
At 31 March 2010	131,205	2,260	103,941	(248,888)	(11,482)

39. COMPARATIVES

The comparative figures of consolidated statement of comprehensive income have been re-presented to conform with the current year's presentation as a result of the discontinued operation in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Five Year Financial Summary

For the year ended 31 March 2010

CONSOLIDATED RESULTS

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	(Note 1)			
Turnover	**179,695**	70,116	167,321	258,910	267,176
Profit/(loss) before taxation	**21,396**	(99,546)	(41,376)	(59,711)	(23,762)
Taxation	**76**	(76)	(2,232)	–	–
Profit/(loss) for the year	**21,472**	(99,622)	(43,608)	(59,711)	(23,762)
Attributable to:					
Owners of the Company	**21,473**	(99,622)	(43,608)	(59,711)	(23,762)
Minority interests	**(1)**	–	–	–	–
	21,472	(99,622)	(43,608)	(59,711)	(23,762)

Note 1: The consolidated results for the year ended 31 March 2010 and 2009 included the results from continuing and discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	**303**	4,113	32,665	63,852	64,689
Prepayments	**–**	10,217	24,071	26,311	28,550
Available-for-sale investments	**–**	–	–	3,500	9,500
Financial assets at fair value through profit or loss	**–**	–	12,357	–	–
Net current assets/ (liabilities)	**72,387**	37,960	51,963	(2,903)	16,038
	72,690	52,290	121,056	90,760	118,777
Share capital	**11,486**	11,486	9,576	6,180	59,310
Reserves	**61,180**	40,803	110,528	80,396	51,026
Total equity attributable to owners of the company	**72,666**	52,289	120,104	86,576	110,336
Minority interests	**–**	1	1	1	1
Obligations under finance leases	**24**	–	951	4,183	8,440
	72,690	52,290	121,056	90,760	118,777